

Transformation: a key part of responsible investing



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Transformation is one of the important environmental, social and governance (ESG) concerns in our country. A transformed industry will help solve our country's legacy economic imbalances, lack of education and levels of poverty. It is also a key component to achieving the targeted, sustainable development goals we have committed ourselves to as a company. Transformation, therefore, serves as a critical component of our responsible investment approach. Like any other impact investment, it must be specific and measurable.

As custodians of our client's investments, we place their interests first and seek to maximise the probability of delivering on the investment objective and, in so doing, ensure that the investment case always prevails.

We believe in authentic transformation across the value chain and that responsible investing will enhance longer-term risk-return objectives.

In our commitment to support transformation in the asset management industry, each portfolio has a three-year transformation plan in place that is reviewed annually to ensure it remains relevant and aligned to our strategic intent. To supplement our transformation plan, we have a detailed dashboard to monitor the transformation credentials in our portfolios at a more granular level, which focuses our engagement efforts with the asset managers in a more personal approach. With us, investing is personal.

Majority black ownership is only one element of transformation. We encourage authentic broad-based transformation, which will lead to more diverse investment teams and, specifically, black women in senior decision-making positions.

The established, big-brand asset managers who aren't necessarily majority Black-owned but still have meaningful B-BBEE ratings have been fertile training grounds and sometimes the largest employers of transformation investment professionals in the past. This trend continues and has been accelerating. Many of these large asset managers have pioneered corporate initiatives that have contributed to meaningful transformation and the development of skills. In many cases, these initiatives have led to the establishment of independent black investment businesses. The large asset managers also allocate meaningful size brokerage to transformed stockbrokers.

We believe that the industry is embracing broad-based transformation and that it's being adopted much faster in the institutional space than the retail space. Many large

asset managers and some smaller boutiques have made strong and rapid advances to lift their BEE credentials. Shareholding credentials remains the most challenging aspect to address in large established asset managers, as it may necessitate corporate restructure or M&A activity in a somewhat subdued economy.

Also, the current opportunity set for strategic BEE partnerships with relevant experience is somewhat limited given SA's skills shortage. A further challenge is that very few locally based asset managers have successfully developed the required skill and expertise in the multi-asset class and global portfolio management space, with the biggest growth and proliferation in the very competitive SA equity category.

As a key part of our research and engagement plan with asset managers, we continue to encourage and support the broad-based transformation initiatives. At

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Momentum Investments, we are committed to transformation and pride ourselves on being a responsible corporate citizen, and this includes our responsibilities as a custodian of hard-earned retirement savings.